

LEMON GROVE | CITY COUNCIL |
AGENDA ITEM SUMMARY

Item No. 1.D
Mtg. Date October 6, 2015
Dept. Finance

Item Title: City of Lemon Grove Investment Policy

Staff Contact: Cathy Till, Finance Director

Recommendation:

Adopt a resolution (**Attachment B**) approving the City's Investment Policy.

Item Summary:

Historically each year, staff prepares an Investment Policy for City Council review. This staff report creates a permanent Investment Policy for the City. Staff will present bi-annual investment reports in February and August of each year that will inform the City Council on investment results for the six month periods ending June 30 and December 31.

Fiscal Impact:

None.

Environmental Review:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration |
| <input type="checkbox"/> Categorical Exemption, Section [] | <input type="checkbox"/> Mitigated Negative Declaration |

Public Information:

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> None | <input type="checkbox"/> Newsletter article | <input type="checkbox"/> Notice to property owners within 300 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting | |

Attachments:

- A. Staff Report
- B. Resolution (City of Lemon Grove Investment Policy)

Attachment A

LEMON GROVE CITY COUNCIL STAFF REPORT

Date 1.D

Mtg. Date October 6, 2015

Item Title: City of Lemon Grove Investment Policy

Staff Contact: Cathy Till, Finance Director

Discussion:

The City of Lemon Grove's Investment Policy directs the City Treasurer to invest for safety, liquidity and yield, and defined three allowable investment scenarios. The proposed amended Investment Policy expands the allowable investment instruments to include U.S. Government Agency Bonds. The proposed amendment allows the bond reserve account, currently yielding minimal returns, to be invested in longer-term, higher yielding instruments.

The City of Lemon Grove Investment Policy as well as the Amended Investment Policy are presented for the City Council's consideration.

Conclusion:

Staff recommends that Council adopt the resolution (**Attachment B**) approving the attached amended investment policy.

Attachment B

RESOLUTION NO. 2015-_____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE CALIFORNIA
APPROVING THE CITY OF LEMON GROVE AMENDED INVESTMENT POLICY**

WHEREAS, the City of Lemon Grove and its component units (the Lemon Grove Roadway Lighting District, the Lemon Grove Sanitation District, and the Successor Agency) retain surplus funds for operational purposes; and

WHEREAS, it is prudent to invest these surplus funds in interest bearing investments; and

WHEREAS, the California Government Code Sections 53600-53686 allow municipal agencies to invest in various instruments; and

WHEREAS, the City Council desires to maximize the safety, liquidity and yield of its investments; and

WHEREAS, the City Council desires to expand the list of allowable investments; and

WHEREAS, the City Council has reviewed the Investment Policy (Exhibit 1) to assure the best financial plan for the City's surplus funds.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lemon Grove, California hereby:

1. Approves the City of Lemon Grove Amended Investment Policy (Exhibit 1); and
2. Directs the City Treasurer to make investments in accordance with said policy.

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EXHIBIT 1

CITY OF LEMON GROVE INVESTMENT POLICY 2015 (AMENDED)

POLICY STATEMENT

This policy is intended to provide guidelines for the prudent investment of surplus funds, those monies not immediately needed to pay demands against the City of Lemon Grove, the Lemon Grove Roadway Lighting District, the Lemon Grove Sanitation District, and the Lemon Grove Successor Agency (collectively referred to below as "City") by vendors and other claimants. The City Treasurer is responsible for investing the surplus funds in accordance with the California Government Code, Sections 53601, 53607, and 53635.

This policy is based upon state law, City ordinance and prudent money management.

SCOPE

This policy applies to all funds under the control of the City Treasurer. The funds are accounted for in the City's Annual Financial Report and include all funds of the City.

PRUDENCE

In accordance with California Government Code Section 53600.3, investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

INVESTMENT OBJECTIVES

The cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City Treasurer to invest funds to the fullest extent possible. The overall investment objective is to enhance the economic condition of the City while insuring the safety of funds invested.

The three criteria for selecting investments, in order of priority are: safety, liquidity and yield. These are to be taken into consideration when making investment decisions in accordance with California Government Code Section 53600.5.

- A) SAFETY: Safety of principal is the primary objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- B) LIQUIDITY: Liquidity is the secondary objective. The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.
- C) YIELD: Yield is the third objective. The highest yield possible shall be sought, provided that the basic criteria of safety and liquidity have been met.

Attachment B

AUTHORIZED INVESTMENT INSTRUMENTS

Sections 53601, 53635, 53637, 53638, 53652, and 53653 of the California Government Code permit the option of investing in various instruments. The City Treasurer will limit investments to the following:

- A) STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF): LAIF is a diversified investment pool administered by the California State Treasurer, allowing the investment of funds through the Pooled Money Investment Account and subject to the State's annual investment policy. Maximum investment, subject to State regulation, is currently \$40 million per account. Monies invested with LAIF are pooled with State monies in order to earn the maximum rate of return consistent with safe and prudent treasury management.
- B) CERTIFICATES OF DEPOSIT (CD's): Timed CD's shall meet the requirements for deposit under Government Code Section 53635 et. seq. The City Treasurer, for deposits up to \$250,000, may waive collateral requirements if the institution insures its deposits with the Federal Deposit Insurance Corporation (FDIC). Additionally, if funds are placed through a deposit placement service, the CD's shall meet the requirements under Government Code Section 536601.8.
- C) U.S. Government Agency Bonds: The City Treasurer may authorize investments of bond reserve funds for periods up to 5 years. The investments must meet the criteria set forth in the bond documents.
- D) OTHER: Investments that are, or may become, legal investments through the State of California Government Code, with prior approval of the City Council.

INTERNAL CONTROL

An annual independent review by an external auditor will provide internal control by assuring compliance with policies and procedures.

REQUIRED REPORTING

- A) The City Treasurer shall submit a semi-annual investment report to the City Manager and City Council. The report shall list the information required by law regarding all investments held. The report shall state whether the investments comply with the investment policy and whether the City will be able to meet its needs for cash for the next six months.
- B) The City Treasurer shall annually present the external audit to the City Council.

EXHIBIT 2

CITY OF LEMON GROVE INVESTMENT POLICY 2015 (ORIGINAL)

POLICY STATEMENT

This policy is intended to provide guidelines for the prudent investment of surplus funds, those monies not immediately needed to pay demands against the City of Lemon Grove, the Lemon Grove Roadway Lighting District and the Lemon Grove Sanitation District (collectively referred to below as "City") by vendors and other claimants. The City Treasurer is responsible for investing the surplus funds in accordance with the California Government Code, Sections 53601, 53607, and 53635.

This policy is based upon state law, City ordinance and prudent money management.

SCOPE

This policy applies to all funds under the control of the City Treasurer. The funds are accounted for in the City's Annual Financial Report and include all funds of the City.

PRUDENCE

In accordance with California Government Code Section 53600.3, investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

INVESTMENT OBJECTIVES

The cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City Treasurer to invest funds to the fullest extent possible. The overall investment objective is to enhance the economic condition of the City while insuring the safety of funds invested.

The three criteria for selecting investments, in order of priority are: safety, liquidity and yield. These are to be taken into consideration when making investment decisions in accordance with California Government Code Section 53600.5.

- A) SAFETY: Safety of principal is the primary objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- B) LIQUIDITY: Liquidity is the secondary objective. The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.
- C) YIELD: Yield is the third objective. The highest yield possible shall be sought, provided that the basic criteria of safety and liquidity have been met.

Attachment B

AUTHORIZED INVESTMENT INSTRUMENTS

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- A) STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF): LAIF is a diversified investment pool administered by the California State Treasurer, allowing the investment of funds through the Pooled Money Investment Account and subject to the State's annual investment policy. Maximum investment, subject to State regulation, is currently \$40 million per account. Monies invested with LAIF are pooled with State monies in order to earn the maximum rate of return consistent with safe and prudent treasury management.

The LAIF Answer Book shall be available in the Finance Department.

- B) SAN DIEGO COUNTY POOL: The County Pool allows the County Treasurer to invest the funds of the County and funds of Voluntary Participants subject to the County's annual investment policy. Participation in the County Pool is subject to regulations put forth in the County's annual investment policy. The City Treasurer may authorize the County to invest in a designated portfolio consisting of investments of one to five years in duration.
- C) CERTIFICATES OF DEPOSIT (CD's): Timed CD's shall meet the requirements for deposit under Government Code Section 53635 et. seq. The City Treasurer, for deposits up to \$100,000, may waive collateral requirements if the institution insures its deposits with the Federal Deposit Insurance Corporation (FDIC). Additionally, if funds are placed through a deposit placement service, the CD's shall meet the requirements under Government Code Section 536601.8.
- D) OTHER: Investments that are, or may become, legal investments through the State of California Government Code, with prior approval of the City Council.

INTERNAL CONTROL

An annual independent review by an external auditor will provide internal control by assuring compliance with policies and procedures.

REQUIRED REPORTING

- A) The City Treasurer shall submit a semi-annual investment report to the City Manager and City Council. The report shall list the information required by law regarding all investments held. The report shall state whether the investments comply with the investment policy and whether the City will be able to meet its needs for cash for the next six months.
- B) The City Treasurer shall annually render a statement of investment policy to the City Council for consideration at a public meeting.
- C) The City Treasurer shall annually present the external audit to the City Council.